



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

July 7, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of the Rockies
Charter Number 3375**

**205 West Main
White Sulphur Springs, Montana 59645**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank of the Rockies** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 7, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory.**”

First National Bank of the Rockies meets the rating definition of satisfactory because:

- there is an excellent distribution of loans to small farms and small business borrowers, and to people of different income levels;
- the loan-to-deposit ratio of 71 percent is good;
- a majority of loans originated are in the assessment area; and
- the geographic distribution of loans is reasonable.

The following table indicates the performance level of *First National Bank of the Rockies* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank of the Rockies Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints received since the last examination.		

DESCRIPTION OF INSTITUTION:

The First National Bank of the Rockies (FNB) is located in rural Central Montana. It is locally owned by a one bank holding company. On March 31, 1998, FNB had total assets of \$28.3 million. The bank's main office is located in White Sulphur Springs, with a branch in Clyde Park. FNB's management plans to open another branch in Emigrant, Montana in August 1998. Emigrant is located 105 miles from White Sulphur Springs. In addition to the branch offices, FNB maintains three, 24 hour ATM's. The ATMs are located in White Sulphur Springs, Emigrant, and Clyde Park.

The composition of the bank's loan portfolio reflects its diverse customer base. On March 31, 1998, the portfolio was composed of the following types of loans: 36 percent agricultural; 27 percent commercial and industrial; 23 percent one-to-four family residential; 8 percent consumer; 4 percent other real estate; 2 percent municipal loans.

The prior Community Reinvestment Act Performance Evaluation was dated September 5, 1996. FNB received an "Outstanding" rating in that evaluation.

DESCRIPTION OF THE ASSESSMENT AREA:

FNB's assessment area consists of four block numbering areas (BNAs) and contains all of Meagher and Park counties. Two of these BNAs are designated as moderate-income, and the other two are designated as middle-income. The bank's main office in White Sulphur Springs is located in a middle-income BNA. The assessment area is reasonable, complies with the technical requirements of CRA, and does not arbitrarily exclude low- or moderate-income geographies. The population of the bank's assessment area is 6,008 based on the 1990 Census. The 1997 adjusted non-MSA median family income for Montana is \$36,100.

The current economic condition of the assessment area is stable. The population has remained constant over the last five years. Major industries include small farms, government and services. Competition for FNB within the assessment area consists of three branch offices of large financial institutions.

We interviewed a local realtor and a government official during the examination. These individuals stated that traditional consumer and business loan products were the primary credit needs of the assessment area. This includes loans to small businesses, farmers and ranchers. The contacts also identified affordable housing and rentals for senior citizens and young people as a special need.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The distribution of FNB’s borrowers reflects excellent penetration among individuals of different income levels and businesses and farms of different sizes.

We sampled 26 consumer loans and 10 home mortgage loans currently outstanding. The following table shows the distribution of these loans compared with the demographics of the assessment area. Thirty-four out of the thirty-six loans contained income information. Loans to low- and moderate-income borrowers totaled 64 percent of the loans in the sample. This result is very good since only 45% of families in the assessment area are designated as low- and moderate-income.

Income Designation of the Borrower	% of Families in the AA	# of Loans	% of Loans Based on Sample
Low	24%	11	32%
Moderate	21%	11	32%
Middle	20%	6	18%
Upper	35%	6	18%
Total	100%	34	100%

The following table shows FNB’s excellent record of making loans to small businesses and small farms. We sampled 10 commercial loans and 10 agriculture loans. Eighteen loans contained income information and all of those were made to small farms and small businesses with less than \$1 million in revenue. Ten of the loans went to very small farms and businesses with less than \$100,000 in total revenue.

Business Revenues (\$000)	Number of Loan Originations	Percent of Loan Originations
0-100	10	56%
100-250	2	11%
250-500	5	28%
500-1,000	1	5%
> 1 million	0	0
Total	18	100%

Loan-to-Deposit Ratio

FNB maintains a loan-to-deposit ratio comparable to seven similarly situated banks. These banks are similarly situated to First National Bank of the Rockies by size, lending focus, and predominant local ownership. All located within 150 miles of FNB. During the preceding eight quarters, FNB's loan-to-deposit ratio went from 66 percent on March 31, 1996, to 79 percent on December 31, 1997. The bank's average loan-to-deposit ratio was 71 percent. The eight quarter average loan-to-deposit ratio for the seven similarly situated banks was: 67 percent, 69 percent, 70 percent, 73 percent, 77 percent, 82 percent and 87 percent.

Lending in the Assessment Area

First National Bank of the Rockies originated a majority of loans within the assessment area. We sampled 56 loans and found 75% were made within the assessment area. The sample consisted of various types of loans on FNB's books as of July 7, 1998.

Geographic Distribution of Loans

The geographic distribution of loans is reasonable. FNB's assessment area is comprised of two moderate-income BNAs and two middle-income BNAs. The bank tracked the distribution of all loans originated in 1996, 1997, and the first half of 1998. Based on this information, the bank originated 21 percent of loans in the two moderate-income BNAs. Comparatively, 32 percent of the assessment area's population lives in a moderate-income BNA.

Record of Complaints and Compliance with Antidiscrimination Laws

The bank did not receive any complaints relating to CRA performance since the last CRA evaluation. Concurrent with this examination, we reviewed FNB's compliance with the substantive provisions of antidiscrimination laws and regulations. We found no violations.